

# ENTRANCE COUNSELING

## Your Guide to Borrowing Wisely

### ALL THE FACTS YOU NEED TO KNOW ABOUT YOUR STUDENT LOANS!



#### On the Cover:

Michael is a college student just like you. He understands the importance of budgeting and smart borrowing. As an elementary education major, Michael knows that the average starting salary for teachers in Iowa is in the low to mid 20's<sup>1</sup>. In order to keep his monthly student loan payments no more than 8% of his monthly income when he graduates, Michael has a part-time job to help with his educational expenses. Living on a tight budget as a college student will start Michael out on the right foot when he graduates.

Source: U.S. Department of Labor - Bureau of Labor Statistics, May 2005 State Occupational Employment Statistics Survey

**C**ongratulations on your decision to further your education! A college education is one of the best investments you can make.

Federal student loans can be very useful in helping you cover your education and living expenses. But keep in mind that these loans must be repaid. Make sure you understand the responsibility that comes with borrowing a student loan because the decisions you make now will affect your ability to meet financial obligations in the future.

Before you can receive your Federal Stafford Loan (subsidized or unsubsidized), federal regulations require that you complete entrance counseling. The information provided in this Entrance Counseling Guide will help you understand your rights and responsibilities as a Federal Stafford Loan borrower, as well as how to manage those loans, during and after college. One way to meet the Entrance Counseling requirements is to read this guide, and complete and provide a copy of the Entrance Counseling Form, located in the back of this guide, to your financial aid office.

As the state of Iowa's designated guarantor, the Iowa College Student Aid Commission is your financial aid connection. We are here to help you understand your student loans and to guide you through successful repayment.

Contact the Iowa College Student Aid Commission at 800-383-4222 with any questions. We want to help you succeed!



**IowaCollegeAid.gov**  
Your Financial Aid Connection

## Contents

Exploring Your Future .....	3
Career Choice and Your Student Loans .....	4
Successful Budgeting .....	6
Funding Your Education .....	8
Who's Who in the Loan Process .....	10
Understanding Your Student Loans .....	11
Your Rights as a Borrower .....	14
Your Responsibilities .....	16
Quiz: Are You Student Loan Savvy? .....	17
Additional Education Loan Options .....	18
Repaying Your Student Loan .....	20
Consolidating Your Student Loans .....	22
Deferments and Forbearance .....	24
Cancellation Conditions for Stafford Loans .....	26
Avoiding Delinquency and Default .....	27
Managing Your Money .....	28
Resources .....	30
Terms to Know .....	33
Your Notes .....	35





## NAVIGATING THROUGH THE GUIDE

The purpose of the information contained in this guide is to provide you an overview of the federal Stafford Loan process and to ensure that you understand your rights and responsibilities as a federal Stafford Loan borrower. Two college students, Michael and Sarah, will follow you through the guide. You will be able to see how decisions they make while in college may positively or negatively impact their student loan debt after college. In fact, you will see that the decisions that Sarah makes will increase her student loan debt. If she budgeted her money better, she could reduce the amount she will owe when she begins repayment of her student loans. Michael, on the other hand, limits his spending and works part time to manage his student loan debt.

## DECIDING A MAJOR

Choosing a major is a big decision that impacts your future. Don't be too concerned if you haven't made this decision yet. It is better to wait to declare a major until you are more certain of the career path you want to follow. Many college students remain undecided through their freshman year. This allows you to take core classes and explore your interests before declaring a major.

## CAREER PLANNING

The Iowa College Student Aid Commission provides career and education planning tools that can help you focus on your interests. If you want some help in determining a career path, you can use a web-based system to profile career and education opportunities that match your interests, strengths and weaknesses.

You can access the career planning software from the Iowa College Student Aid Commission's web site [www.iowacollegeaid.gov](http://www.iowacollegeaid.gov).

If you attended an Iowa middle school and/or high school, you may already be familiar with the career planning program. If you have any questions about career planning, please contact the Iowa College Student Aid Commission at 800-383-4222.

I know I am going to  
be an interior designer.  
Trading Spaces better  
be ready for me!

I know I want to major  
in elementary education,  
but my roommate is  
undecided. I think the  
career planning software  
would help him in his  
decision to declare  
a major based on  
his strengths and  
interests.

## DON'T OVER-ESTIMATE YOUR STARTING SALARY.

Once you have determined a career path, it may be helpful to size up earnings associated with the profession. While expected earnings should not dictate your career path, knowing your earning potential now can help you manage debt while you are in school.

You need to be reasonably sure that you can comfortably repay your student loans after graduation. The smaller the loan debt you assume, the lower the salary you'll need to repay the debt. Many students are overly optimistic about what their starting salaries will be upon graduation. Be realistic about how much you can potentially earn after you graduate. The chart on the next page provides estimated starting salaries and average salaries for occupations in Iowa.

## WHAT PART OF MY FINANCIAL AID PACKAGE MUST BE REPAYED?

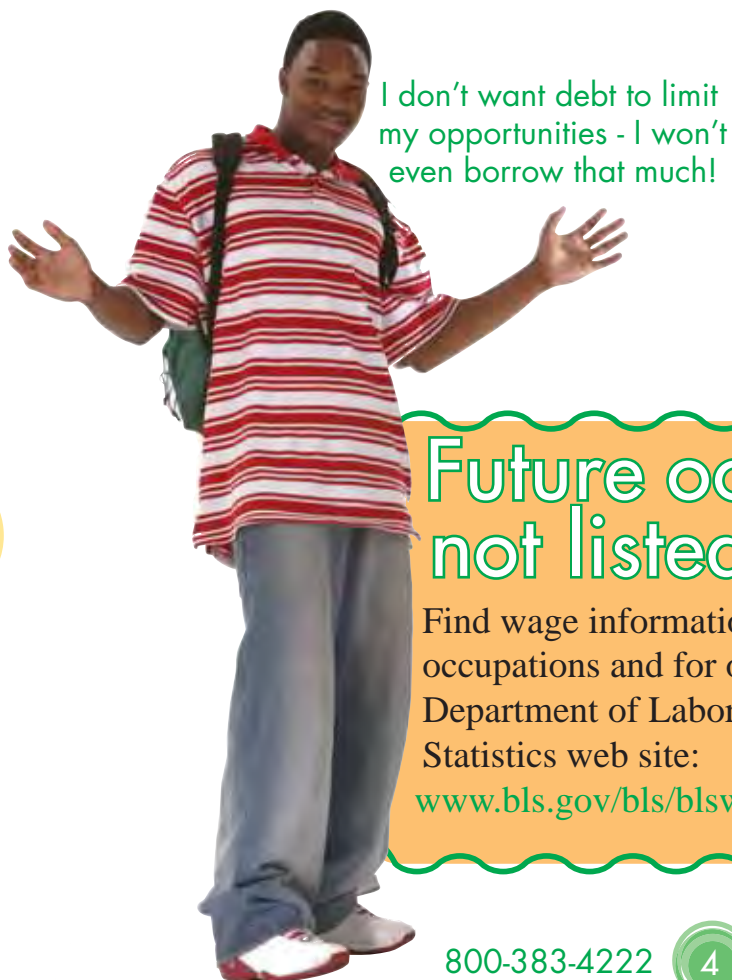
Your financial aid package may have consisted of scholarships, grants, and student loans. The first two, scholarships and grants, are considered gift aid and do not have to be repaid. Student loans are considered self-help aid and must be repaid.

## HOW MUCH CAN I AFFORD TO PAY BACK?

Many experts recommend that student loan payments should not exceed 8 percent of your income. Based on the Estimated Salary Chart on page 5, Michael shouldn't have a problem repaying his student loan debt of \$12,875 over 10 years at a 6.8 percent fixed interest rate if he makes the estimated starting salary of \$22,230 for elementary education teachers in Iowa. If Sarah makes \$20,700, the estimated starting salary for interior designers in Iowa, she should try to keep her student loan debt under \$12,000.

## BE CAUTIOUS, BE RESPONSIBLE, BE SENSIBLE.

If your student loan payment is more than 8 percent of your income, your available cash for everyday living expenses will be limited. This could restrict your opportunities for other credit, like car and home loans.



I don't want debt to limit my opportunities - I won't even borrow that much!

Are you kidding?!?  
I'll make \$60,000 when I graduate. I'm not worried about how much I borrow.



## Future occupation not listed?

Find wage information for other occupations and for other states at the U.S. Department of Labor - Bureau of Labor Statistics web site:

[www.bls.gov/bls/blswage.htm](http://www.bls.gov/bls/blswage.htm)



# State of Iowa Estimated Salary Chart

Occupation	Estimated Starting Salary <sup>1</sup>	Annual Average Wages	Feasible Student Loan Debt <sup>2</sup>	Feasible Student Loan Payment <sup>2</sup>
Accountant/Auditor	\$31,430	\$52,700	\$18,200	\$209.53
Advertising & Promotions Manager	\$29,420	\$59,590	\$17,050	\$196.13
Architect	\$34,700	\$60,560	\$20,100	\$231.33
Architect - Landscape	\$27,960	\$48,340	\$16,195	\$186.40
Auto Body Repair	\$16,810	\$31,410	\$9,735	\$112.07
Carpenter	\$20,770	\$33,810	\$12,030	\$138.46
Child/Family/School Social Worker	\$21,100	\$34,810	\$12,220	\$140.67
Chiropractor	\$25,960	\$74,830	\$15,035	\$173.06
Clergy	\$23,160	\$38,440	\$13,415	\$154.40
Computer Programmer	\$33,540	\$54,200	\$19,430	\$223.60
Computer Support Specialist	\$22,750	\$39,220	\$13,175	\$151.67
Cosmetologist	\$13,110	\$21,690	\$7,590	\$87.40
Curator	\$21,150	\$48,350	\$12,250	\$141.00
Customer Service	\$17,010	\$26,900	\$9,850	\$113.40
Database Administrator	\$33,080	\$58,050	\$19,160	\$220.53
Dietitian	\$28,660	\$39,070	\$16,600	\$191.07
Editor	\$25,070	\$40,320	\$14,520	\$167.13
Electrician	\$24,870	\$41,460	\$14,405	\$165.80
Engineer - Chemical	\$48,940	\$64,490	\$28,350	\$326.26
Engineer - Electrical	\$47,810	\$71,280	\$27,695	\$318.73
Engineer - Mechanical	\$39,690	\$62,410	\$22,990	\$264.60
Food Service Manager	\$20,780	\$41,540	\$12,035	\$138.53
Forensic Science Technician	\$37,030	\$52,890	\$21,450	\$246.87
Graphic Designer	\$20,290	\$32,530	\$11,750	\$135.27
Human Resource Manager	\$40,540	\$76,710	\$23,480	\$270.27
Insurance (underwriter)	\$30,090	\$47,860	\$17,430	\$200.60
Interior Designer	\$20,720	\$33,550	\$12,000	\$138.13
Lawyer	\$41,010	\$96,140	\$23,755	\$273.40
Librarian	\$23,980	\$41,270	\$13,890	\$159.87
Loan Counselor	\$23,860	\$38,880	\$13,820	\$159.07
Market Research Analyst	\$29,150	\$50,650	\$16,885	\$194.33
Meeting & Convention Planner	\$18,970	\$35,220	\$10,990	\$126.47
Nurse - Licensed Practical	\$24,370	\$32,330	\$14,115	\$162.47
Nurse - Registered	\$31,800	\$45,330	\$18,420	\$212.00
Paralegal	\$25,340	\$36,820	\$14,675	\$168.93
Personal Financial Advisor	\$23,970	\$67,240	\$13,885	\$159.80
Pharmacist	\$61,430	\$81,930	\$35,585	\$409.53
Physical Therapist	\$41,060	\$58,930	\$23,785	\$273.73
Physician (Family & General)	\$65,360	\$139,040	\$37,860	\$435.73
Physician's Assistant	\$54,240	\$70,760	\$31,420	\$361.60
Radiological Technician	\$29,160	\$40,170	\$16,890	\$194.40
Real Estate Agent	\$18,910	\$52,030	\$10,955	\$126.07
Reporter & Correspondent	\$14,700	\$30,130	\$8,515	\$98.00
Respiratory Therapist	\$30,190	\$41,230	\$17,485	\$201.27
Speech Pathologist	\$38,090	\$51,590	\$22,065	\$253.93
Statistician	\$44,010	\$61,410	\$25,495	\$293.40
Surveyor	\$23,630	\$43,000	\$13,685	\$157.53
Teacher - Elementary Education	\$22,230	\$34,610	\$12,875	\$148.20
Teacher - Secondary Education	\$23,130	\$34,600	\$13,395	\$154.20
Technical Writer	\$25,680	\$45,120	\$14,875	\$171.20
Urban & Regional Planner	\$32,910	\$46,590	\$19,065	\$219.40
Veterinarian	\$26,050	\$60,090	\$15,090	\$173.67
Welder	\$21,700	\$29,990	\$12,570	\$144.67

Information Source: U.S. Department of Labor - Bureau of Statistics May 2005 State Occupational Employment Statistics Survey.

<sup>1</sup>Starting salary figures are based on state of Iowa wages reported at the 10th percentile and may be higher or lower than actual starting wages.

<sup>2</sup>Feasible student loan debt is based on a monthly payment of 8% of the starting salary.

Payment amounts are based on an interest rate of 6.8% and a 10-year standard repayment period.

## BUDGETING YOUR MONEY

Developing a budget isn't hard, but it is the key to staying in control of your money. Set realistic spending goals and stick to them. The first step in developing your budget is to estimate your monthly income and expenses.

### INCOME

Income includes all sources such as income from a job, your savings, the amount your parents or other family members are going to contribute to your education, as well as your scholarships, grants, and student loans.

### EXPENSES

Expenses include educational costs such as tuition, room and board, books, supplies, and fees. You also will need to take into consideration transportation, utilities, phone charges, personal items, clothing, eating out, entertainment, and other miscellaneous expenses.

### NET INCOME

The difference between your total income and your expenses is your net income. Hopefully you have enough income to cover your expenses. If not, you either need to find ways to increase your income - like working a few more hours - or find ways to cut your expenses. Here are a few ideas:

### INCOME

### EXPENSES

### NET INCOME

- Use campus transportation instead of bringing a car to campus. You will remove gas, oil changes, and other maintenance from your budget.
- Buy calling cards or monitor the available minutes on your cell phone to avoid unexpected fees.
- Buy used textbooks. This can save you a lot, but that means you need to buy early.
- Throw snacks in your backpack so you aren't tempted by vending machines, smoothie shops, or other treats available on campus.
- Check into free entertainment on campus rather than going out. Often, there are campus-sponsored concerts, movie nights, and other events - all free to students.
- Take advantage of the campus fitness center. You may pay a college fee for its use, so you might as well take advantage of the opportunity.
- Limit how often you eat out. When you do, take advantage of student discounts.
- Live with roommates, family, or relatives to cut down your room and board costs.
- Purchase supplies at discount stores instead of the campus bookstore. While you may like having notebooks with your college logo, in the end, it's just paper.
- Limit ATM withdrawals and only use those owned by your bank to avoid fees.



Following a budget? No problem - I can handle this.

Budget-smudget - I am a college student. I don't have time to prepare a budget.





# College Student Budget Worksheet

Category	Monthly	Semester or Term	Annually
<b>Income:</b>			
Work			
Savings			
Parents & Family			
Grants			
Scholarships			
Student Loans			
<b>Total Income:</b>			
<b>Expenses:</b>			
Tuition			
Room & Board or Rent			
Books			
Supplies			
College Fees			
Transportation/Car Payment			
Gasoline			
Utilities			
Groceries			
Telephone/Cell Phone			
Eating Out			
Entertainment			
Clothing			
Personal Hygiene			
Insurance			
Other			
<b>Total Expenses:</b>			

**Total Income**    **Total Expenses**    **Net Income**  
 -  =

## FIND FREE MONEY FIRST

Before you borrow your student loan, it's smart to first exhaust all other options that don't require repayment. Even if you did not qualify for federal and state grants, you should continue to explore other possibilities such as scholarships, grants, and gifts from family and friends.

## CONSIDER A PART-TIME JOB

You may decide to pay for some of your college expenses by taking a part-time job. The extra income means having to borrow less in student loans. Part-time jobs can include work-study and jobs on and off campus. When seeking a part-time job, keep in mind the following:

1. While working part-time teaches financial responsibility and self-discipline, it's important that it doesn't conflict with your primary objective - completing your college education.
2. Don't work so many hours that you jeopardize the amount of time you have to study or attend class. In particular, working late night hours may result in over-sleeping and missing classes. Typically, part-time employment will not affect grades if you work 20 hours or less each week.

## STUDENT LOANS ARE REAL MONEY

If you still need money to cover educational expenses after you have exhausted other aid and employment opportunities, student loans are a good option. Just remember, student loan money is for financing your education, not your lifestyle. Student loans are real money that must be repaid, with interest, so borrow only what you need.

### Remember!

Student loans are real money. You have to pay them back.

The amount that you decide to borrow now will impact the lifestyle you can afford when you leave school.

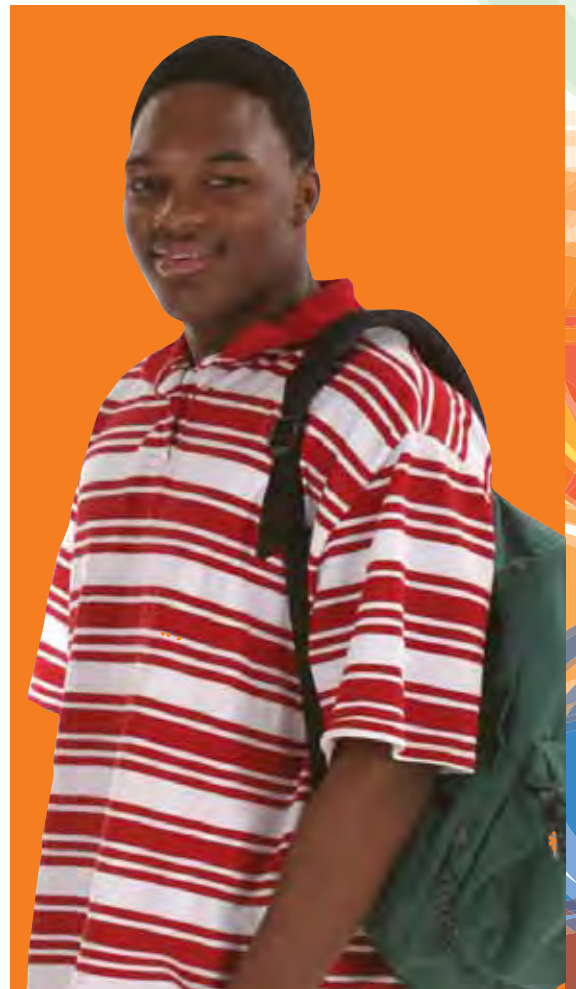
Failure to make your student loan payments can damage your credit rating which will negatively affect your ability to qualify for other purchases such as a car or house.

If you live like a professional while a student, you may have to live like a student when you're a professional.



## Michael

My scholarships and grants only covered a portion of my total cost of attendance. I needed an additional \$5,000! I don't want to be financially strapped when I graduate, so I immediately looked for a part-time job and found one at a fast food taco restaurant. Yes - I smell like bean burritos at the end of my shift, but the hours aren't bad - 7-10 on Tuesday & Thursday nights and from 11-5 on Saturdays. After taxes, I will clear over \$2,100 during the school year. I also discussed my financial concerns with my parents. They decided to help me with personal expenses by sending me \$25 a week - that's another \$900 for the school year! Instead of needing \$5,000, I only needed to borrow \$2,000. I also applied for a scholarship that I found online with a deadline of October 1. Late in the school year, I found out that I was selected as one of 5 recipients and received \$1,000. I went to my financial aid office, and we cancelled my spring Stafford Loan disbursement. I only ended up borrowing \$1,000 for the academic year!



## Sarah

Most of my total cost of attendance was covered by scholarships and grants. I only needed to borrow an additional \$5,000 - no big deal! I thought about getting a part-time job, but the employers don't seem to understand a college student's schedule. No way am I getting up before noon on the weekends - are they crazy? I have to go out on Friday and Saturday nights. Do they realistically think I am going to give up tanning on Tuesday nights and girls night out on Wednesday nights? My schedule is just too crazy to fit in work. But that is what student loans are for. Between federal and private loans, I borrowed the full \$5,000 for the academic year!

## WHO'S INVOLVED IN THE LOAN PROCESS?

Finding your way through the student loan process can be confusing at times. There are several different parties involved in the loan process. Understanding who they are, and what they do, will help make the process easier for you.

### U.S. DEPARTMENT OF EDUCATION (USDE)

The U.S. Department of Education (USDE) oversees the Federal Family Education Loan Program (FFELP) and administers the William D. Ford Federal Direct Student Loan Program. The federal government sets the loan program regulations, requirements, and defines eligibility criteria for both programs.

### COLLEGES & UNIVERSITIES

The financial aid office at the college or university that you attend determines your eligibility for financial aid, including Stafford Loans, based on the information that you provided on the FAFSA (Free Application for Federal Student Aid). Your college or university also certifies your loan application, and monitors your enrollment and academic status to ensure that you remain eligible for financial aid.

### GUARANTOR

Guarantors are state or non-profit private agencies authorized by the U.S. Department of Education to administer the FFELP program in each state. Guaranty agencies insure (or guarantee) the student loans by agreeing to reimburse lenders for loans that default (are not repaid) or are forgiven due to death, permanent disability, or other federal forgiveness programs. They also provide information and resources on student financial aid. The Iowa College Student Aid Commission (the Commission) is the state designated guaranty agency in Iowa.

### LENDERS

Lenders can include banks, credit unions, savings and loan institutions, and other companies who provide the money for your student loans. You may work with the same lender through the life of your loan, the lender may sell your loan to a secondary market, or the lender may use a servicer for loan servicing.

### LOAN HOLDER

The term loan holder refers to the lender that currently owns your loan. Your original lender and your current loan holder could be different since some lenders sell their loans.

### SECONDARY MARKETS

Secondary markets purchase loans from lenders. This allows lenders to continue to provide funds for future student loans. While your loan holder may change, the terms and conditions of your loan will not change.

### SERVICERS

Servicers administer loans on behalf of lenders and secondary markets. They become your primary contact for questions and repayment, but do not own the loan.

### DIRECT LOAN SERVICING CENTER

The Direct Loan Servicing Center administers Direct Loans and processes payments, deferments, and forbearances.



## FEDERAL STUDENT LOAN PROGRAMS

Stafford Loans are administered under two student loan programs: the Federal Family Education Loan Program (FFELP) and the Direct Loan Program. Your school may participate in one or both of these programs.

### FEDERAL FAMILY EDUCATION LOAN PROGRAM (FFELP)

Loans are funded through lenders and guaranteed by a non-profit private or state agency such as the Iowa College Student Aid Commission (the Commission).

### DIRECT LOAN PROGRAM (DIRECT LOAN)

Loans are funded through the federal government.

## Stafford Loan Types

### Subsidized Stafford Loans

These loans are based on financial need, which is determined by the information you submit on the Free Application for Federal Student Aid (FAFSA).

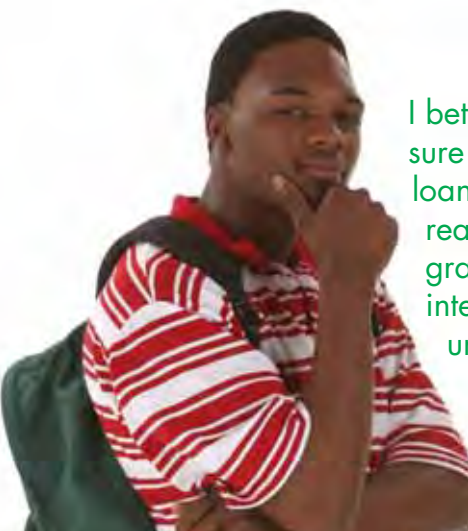
**The federal government pays the interest that accrues:**

- While you are enrolled on at least a halftime basis.
- During your six-month grace period that starts after you graduate or are no longer enrolled at least halftime.
- During authorized deferments.


### Unsubsidized Stafford Loans

These loans are not based on financial need and are available to all students (as long as your financial assistance does not exceed your total cost of attendance).

- The federal government does not subsidize these loans. You are responsible for the interest that starts to accrue the day the loan is first disbursed.
- You can make interest payments while you are in school, or allow the interest to accrue and be added to your principal balance at repayment.



I better check and make sure I know how much of my loan is subsidized. It would really help me out when I graduate if I can pay the interest payments on my unsubsidized loan while I am still in school.



I am still in school - I don't need to think about this now.

## STAFFORD ANNUAL LIMITS - THE AMOUNT YOU CAN BORROW

An annual limit is the maximum amount that you may borrow in Stafford Loans for a single academic year. An aggregate limit is the maximum amount of Stafford Loans that is allowed in your lifetime. Loan limits are provided in detail in the table below.

The amount that you are eligible to borrow each year is based on:

- Your cost of attendance, less aid you will receive.
- For subsidized Stafford Loans, your financial need, determined by your Expected Family Contribution (EFC) calculated by the U.S. Department of Education.
- Your dependency status (whether you are considered dependent or independent).
- Your year of study.
- The length of your program.
- Your enrollment status (**you must be enrolled at least halftime**).

## INTEREST RATES

Federal Stafford Loans that are first disbursed after July 1, 2006, have a fixed interest rate of 6.8%. That means your interest rate will always be 6.8% - it will never change.

## FEES

Federal Stafford Loans currently have fees that are taken out before your loan is disbursed. The fees will vary based on loan program. Please contact your financial aid office for information about your loan fees.

Some or all of these fees may be paid as a benefit to you depending on the loan program and loan provider you are using. Check with your loan holder to see what benefits are available to you.

## DEPENDENCY STATUS

Independent students are eligible to borrow additional unsubsidized Stafford Loans. You must meet specific qualifications to be determined independent. Just because your parents have not claimed you on their taxes or aren't going to provide you with financial assistance while you are in college does not make you an independent student. The federal government considers you to be independent only if you meet one of the following criteria:

You are at least 24 years old by December 31 of the award year.

You are (or were until you reached 18) an orphan or ward of the court.

You are a veteran of the U.S. Armed Forces<sup>2</sup>.

You are currently serving on active duty (for other than training) in the U.S. Armed Forces.

You are working on a master's or doctorate program (such as an MA, MBA, MD, JD, PhD, EdD, or graduate certificate, etc.) at the beginning of the award year for which the FAFSA is completed.

You were married as of the date the FAFSA was completed.

You have at least one child who receives more than half of his or her support from you.

You have a dependent, other than a spouse or child, who lives with you and receives more than half of his or her support from you.

<sup>2</sup>For the purposes of determining dependency status, a student is considered to be a veteran if he or she will meet both of the following criteria prior to the end of the award year for which the FAFSA is filed. 1) The student is engaged in active duty in the U.S. Armed Forces; is a National Guard or Reserves enlistee, who was called to active duty for purposes other than training; or was a cadet or midshipman at a service academy (even if the student withdrew before graduation); and 2) He or she was released under a condition other than dishonorable.



## MAINTAINING ELIGIBILITY

In order to maintain your Federal Stafford Loan eligibility, you must be enrolled at least halftime, attend classes, and meet Satisfactory Academic Progress (SAP) standards at your college or university. SAP standards include a maximum time frame for program completion, as well as a minimum quality standard, such as a minimum grade point average. Check your student handbook or catalog to determine the SAP standards you must meet at your college or university.

### Important!

A low grade point average your first term may not meet the SAP standards at your college or university. This may jeopardize your financial aid eligibility, including scholarships, grants, and student loans for the next term.

	Federal Subsidized Stafford	Federal Unsubsidized Stafford - Dependent	Federal Unsubsidized Stafford - Independent
<b>Eligible Borrowers</b>	Dependent undergraduates Independent undergraduates Graduate & professional students	Dependent undergraduates	Independent undergraduates Graduate & professional students
<b>Need-Based</b>	Eligibility based on financial need.	Eligibility not based on financial need.	Eligibility not based on financial need.
<b>Annual Loan Limits<sup>1</sup></b>	First Year: \$2,625    Second Year: \$3,500 Third Year: \$5,500    Fourth Year: \$5,500 Fifth Year: \$5,500    Graduate: \$8,500	First Year: \$2,625    Second Year: \$3,500 Third Year: \$5,500    Fourth Year: \$5,500 Fifth Year: \$5,500 <i>*Minus subsidized Stafford awarded</i>	First Year: \$6,625    Second Year: \$7,500 Third Year: \$10,500    Fourth Year: \$10,500 Fifth Year: \$10,500    Graduate: \$18,500 <i>*Minus subsidized Stafford awarded</i>
<b>Aggregate Limits</b>	Undergraduates: \$23,000 Graduate Students: \$65,500	Undergraduates: \$23,000 <i>*Minus subsidized Stafford awarded</i>	Undergraduates: \$46,000 Graduate Students: \$138,500 <sup>2</sup> <i>*Minus subsidized Stafford balances</i>
<b>Interest Rate</b>	6.8% fixed for loans first disbursed on or after July 1, 2006	Same as subsidized Stafford	Same as subsidized Stafford
<b>Interest Subsidy</b>	Interest is paid by the federal government during periods of enrollment (at least halftime), the grace period, and during authorized deferments.	Interest starts to accumulate from the first loan disbursement. Interest may be paid as it accrues or added to the original balance at repayment.	Interest starts to accumulate from the first loan disbursement. Interest may be paid as it accrues or added to the original balance at repayment.
<b>Loan Fees</b>	FFELP: 1% Federal Default Fee <i>Some guarantors or loan holders may pay this fee on behalf of borrowers. Check with your financial aid office for more information.</i>  2% Origination Fee for loans disbursed on or after July 1, 2006 <sup>3</sup> . <i>Many lenders will pay this fee.</i>  Direct Loan: 3% Origination Fee for loans disbursed on or after July 1, 2006 <sup>4</sup> .	Same as subsidized Stafford	Same as subsidized Stafford
<b>Repayment</b>	Repayment begins six months after the borrower graduates, withdraws, or enrollment drops below halftime. First payment is due within 60 days after the grace period ends.	Same as subsidized Stafford	Same as subsidized Stafford
<b>Deferments</b>	Unlimited In-School Deferment <i>for at least half-time enrollment</i> Unlimited Graduate Fellowship Deferment Unlimited Rehabilitation Training Deferment Unemployment Deferment (3 years) Economic Hardship Deferment (3 years) Military Deferment (3 years) <i>effective July 1, 2006, for loans made on or after July 1, 2001. Not all U.S. military personnel may qualify. Contact your loan holder for eligibility requirements.</i>	Same as subsidized Stafford	Same as subsidized Stafford

<sup>1</sup> Annual Stafford Loan limits increase for loans certified (FFELP) or originated (Direct) by the college or university on or after July 1, 2007 as follows: first year \$3,500; second year \$4,500; additional unsubsidized Stafford annual loan limits are increased from \$5,000 to \$7,000 for students enrolled in graduate preparatory coursework and for students enrolled in teacher certification coursework; additional unsubsidized Stafford annual loan limits are increased from \$10,000 to \$12,000 for graduate/professional students.

<sup>2</sup> Increased unsubsidized Stafford aggregate loan limits are authorized for certain health profession students.

<sup>3</sup> FFELP Stafford Loan origination fees are phased out over four years: 1.5% for loans first disbursed on or after July 1, 2007; 1.0% for loans first disbursed on or after July 1, 2008; 0.5% for loans first disbursed on or after July 1, 2009; no FFELP origination fee for loans first disbursed on or after July 1, 2010.

<sup>4</sup> Direct Loan origination fees are phased down to 1% over four years: 2.5% for loans first disbursed on or after July 1, 2007; 2.0% for loans first disbursed on or after July 1, 2008; 1.5% for loans first disbursed on or after July 1, 2009; 1% for loans first disbursed on or after July 1, 2010.

## UNDERSTANDING THE MASTER PROMISSORY NOTE

A signed Master Promissory Note (MPN) is a legally binding agreement to repay your student loan(s). You may complete the MPN electronically or by paper. Either way, make sure to keep a copy for your records.

The MPN can be used as a single-year or multi-year note. If you attend a college or university that uses the multi-year feature, you only have to complete one MPN as long as you use the same loan holder. Keep these things in mind as you continue to borrow each year:

You are obligated to repay all of the Stafford Loans originated under your MPN.

You can continue to receive Stafford Loans under the same MPN for a period of ten years as long as you borrow through the same loan holder.

You must notify your financial aid office and your loan holder if you do not want to use the multi-year feature of the MPN. If you do this, you will have to complete a new MPN each year.

**Talk to your financial aid office about how the MPN is used at your college or university.**

## RECEIVING YOUR LOAN FUNDS

Federal regulations usually require that you receive your Stafford Loans in multiple disbursements during your enrollment period. Depending on your financial aid office's procedures, your loan funds may be disbursed either electronically or by paper check. Check with your financial aid office to learn how your loans will be disbursed.

## YOUR RIGHTS AS A STAFFORD LOAN BORROWER

As a Stafford Loan borrower, you have certain rights and responsibilities. You have the right:

- To cancel or reduce your loan amount.
- To pre-pay your loan without penalty.
- To a repayment period of at least five years.
- To request a graduated, income sensitive (FFELP), or income contingent (Direct) repayment schedule.
- To request an extended repayment plan, if you qualify, depending on when your oldest outstanding loan was made and the amount you owe on all of your FFELP or Direct Loans when you enter repayment.
- To request a change in your repayment plan no more frequently than once a year.
- To defer your loan payments, if you qualify.
- To request forbearance from your loan holder if you are unable to make payments and do not qualify for a deferment.

### FYI:

Pre-paying means that you can make payments while you are still in school, during your grace period, or once in repayment. You can pay extra in order to pay your loan off sooner.

Payments made on a subsidized Stafford Loan during in-school, grace, or deferment periods will all be applied to the principal balance since the federal government is paying the interest during those times.



## Your Rights as a Stafford Loan Borrower, cont.

- To have your loan canceled as a result of death, or if you qualify, total and permanent disability.
- To have any questions about your student loan answered by your lender, guarantor, or the U.S. Department of Education.

## YOU ARE ALSO ENTITLED TO THE FOLLOWING DOCUMENTS:

A copy of your Notice of Loan Guarantee and Disclosure Statement.

A disclosure statement is sent by the guarantor (FFELP) or Direct Loan Servicing Center (Direct Loan) prior to the first disbursement of each Stafford Loan that you borrow. It will tell you the loan amount that has been guaranteed, the current interest rate, any fees that are being deducted from your loan, the loan period for which you borrowed the loan, the anticipated disbursement dates, your anticipated graduation date, and the expected repayment start date.

A copy of your repayment schedule.

A repayment schedule is sent by your loan holder(s) prior to your first payment. You usually receive this during your grace period. It is an important document to read because it informs you of the total amount you have borrowed from your loan holder, the current interest rate, the payment amount, the number of months in repayment, the monthly payment due date, and the total amount of principal and interest you will pay if you follow the repayment schedule.

Notification, in writing, if your loans are sold or transferred for servicing and the location to which you should send payments or correspondence changes.

Notice when your loan is paid in full.

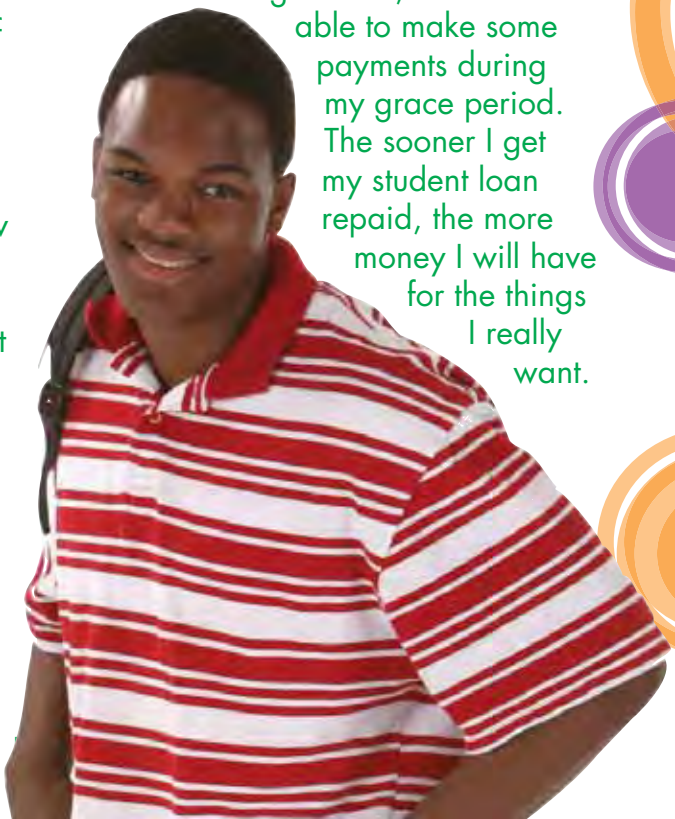
You may request that your original promissory note be returned to you once your loan is paid in full. If you electronically signed your Master Promissory Note online, you can request your loan holder send you a certified original copy.

### Tip:

Use this folder to file all of your loan documents. When you need them, you will know right where they are!



I am not making a payment until I have to. Why in the world would I do that? I deserve to treat myself after I graduate. Besides, I will have other expenses during my grace period, like a down payment on a new car, a new wardrobe (I can't start a new job without the most up-to-date fashions), and new furniture for my apartment - IKEA here I come!



If I start working right after I graduate, I should be able to make some payments during my grace period. The sooner I get my student loan repaid, the more money I will have for the things I really want.



## YOUR RESPONSIBILITIES AS A STAFFORD LOAN BORROWER

As a Stafford Loan borrower, you have many responsibilities. When you sign your student loan promissory note, you are agreeing to:

Notify your loan holder or servicer if you change your:

- name
- address
- telephone number
- Social Security Number
- enrollment status (i.e., you withdraw, graduate, drop to less than half-time enrollment, or transfer to a different college or university).

Repay your loan, including interest and fees, whether or not you complete your studies, are satisfied with your education, or are unable to find employment.

Make your loan payments on time.

Begin making payments no later than 60 days after the end of your grace period whether you have received a repayment schedule or not. If your first payment is nearing and you have not received a payment schedule, you must immediately contact your loan holder or servicer.

Make your monthly payments even if you do not receive a bill in the mail.

Contact your loan holder or servicer if you are unable to make a scheduled payment. They may be able to assist you with a deferment or forbearance.

Provide your college or university with your expected permanent address, the name and address of your expected employer, the address of your closest relative not living with you, as well as two additional personal references. This information will be required when you graduate, withdraw, or drop to less than half-time enrollment, and will be forwarded to your guarantor, loan holder, or servicer.

### Keep in Mind~

Your student loan is your responsibility! Many new graduates forget to provide their loan holder with their new address after they move to start a new job. Missing a payment because your loan holder didn't have your correct address to send you the repayment schedule or bill does not relieve you of your payment obligation. Worse yet, your loan holder may report the past due payment to the three national credit bureaus which can impact your ability to obtain future credit.



Wow, there is a lot to know about my student loans. One thing is for sure, I will always keep my loan holder in the loop.

All I hear is blah, blah, blah. I don't need to know this now. I will worry about repaying my loans later.



## HOW WELL DO YOU KNOW YOUR STUDENT LOANS? TAKE THIS QUIZ TO FIND OUT!

1. After the end of my grace period, I am not required to make monthly payments if:
  - A. I don't receive a bill in the mail.
  - B. I don't have a job.
  - C. After paying for other expenses, I don't have enough to make my student loan payment.
  - D. I am granted a deferment or forbearance.
2. If I am ever having problems making my student loan payments, I should:
  - A. Use caller ID to avoid my loan holder. They can't make me pay if they can't find me.
  - B. Call my best friend.
  - C. Contact my loan holder and explain my situation.
  - D. None of the above.
3. The Stafford Loan Master Promissory Note (MPN) is:
  - A. A legally binding agreement.
  - B. Used as both a single-year and multi-year note.
  - C. Good for a 10-year period from the date I sign the MPN.
  - D. All of the above.
4. I am entitled to:
  - A. Cancel or reduce my loan at any time before I receive the loan funds.
  - B. A deferment, if I qualify.
  - C. Prepay my loan without penalty.
  - D. All of the above.
5. My loan may be cancelled if:
  - A. I die or become totally and permanently disabled.
  - B. I am not satisfied with the education I received.
  - C. I don't find a job right after I graduate.
  - D. I don't finish my education.
6. I should notify my lender when:
  - A. I get good grades.
  - B. My address changes.
  - C. I declare my major.
  - D. All of the above.
7. If I have a subsidized Stafford Loan, the federal government will:
  - A. Make my loan interest free for the life of the loan.
  - B. Pay the interest while I am enrolled at least halftime, during my grace period, and during authorized periods of deferment.
  - C. Pay off my loan balance if I graduate with honors.
  - D. All of the above.
8. If I can't afford my monthly payment amount I should:
  - A. Wait for a collection agency to contact me.
  - B. Just pay whatever I can afford.
  - C. Call my loan holder and explain my situation.
  - D. Stop making payments.
9. I am not required to pay back my student loan if:
  - A. I signed my MPN electronically. Only my actual signature is legally binding.
  - B. I file bankruptcy.
  - C. I accept a low-paying job.
  - D. None of the above.
10. I am entitled to copies of:
  - A. A notice of loan guarantee and disclosure statement.
  - B. A repayment schedule.
  - C. Written notification if my loan is transferred or sold and the location to which I should send payment changes.
  - D. All of the above.

### Answers:

1. D 2. C 3. D 4. D 5. A 6. B 7. B 8. C 9. D 10. D

How did you score?

9-10 correct: You are student loan savvy!

Repayment won't be a problem for you.

7-8 correct: You are on the right track. Stay on top of your loan information, and you'll be savvy in no time.

5-6 correct: You could use a refresher course.

4 or less: You need serious student loan help!

**QUIZ!** Are You Student Loan Savvy?

## OTHER EDUCATION LOAN OPTIONS

If your financial aid package, including your Stafford Loans, does not quite cover all of your education costs, there are additional financing opportunities to explore. While exhausting all options that don't require repayment is best, sometimes that just isn't enough. In those cases, there are other federal loan options available, including the federal PLUS Loan (for parents of dependent students), the Grad PLUS Loan (for graduate/professional students), as well as institutional loans, and private education loans.

### PARENT PLUS LOANS

Many parents of dependent students turn to a federal Parent PLUS Loan to pay for costs not already covered by the student's financial aid package, up to the full cost of attendance. Eligibility for the PLUS Loan is determined through a credit check. If a parent is denied a Parent PLUS Loan, the student becomes eligible for increased Stafford Loan limits. Only one parent needs to apply for and be denied a Parent PLUS Loan. However, if more than one parent applies for a Parent PLUS Loan, both must be denied before the student is eligible for the increased Stafford Loan limits.

FFELP Parent PLUS Loans first disbursed on or after July 1, 2006 have a fixed interest rate of 8.5%. PLUS Loans have a 3% origination fee and a 1% federal default fee, deducted from each disbursement check. Some guarantors or lender partners may pay the Stafford or PLUS Loan default fee. Please check with your financial aid office for more details.

Repayment begins 60 days after the funds are fully disbursed, and the repayment term is up to 10 years. Unlike the Stafford Loans, PLUS Loans do not have a grace period. Some lenders allow parents to use a forbearance to postpone payment on the PLUS Loan while the student is enrolled in school.

PLUS Loans are the financial responsibility of the parents, not the student. Many parents decide to borrow PLUS Loans in order to reduce the debt burden that their son or daughter will have upon graduation.

### GRAD PLUS LOAN

Graduate and professional students may be eligible for a federal Grad PLUS Loan. The Grad PLUS Loan is similar to the federal Parent PLUS, except that in this case, the graduate or professional student is the borrower. Eligibility for the Grad PLUS Loan is determined through a credit check.

Grad PLUS Loans do not have a grace period, however, a student may request to defer payments while the graduate/professional student is enrolled in school on at least a halftime basis.

This new federal PLUS Loan option gives graduate and professional students an alternative to private education loans. More information on the Grad PLUS Loan can be found on the Commission's web site at [www.iowacollegeaid.gov](http://www.iowacollegeaid.gov).

### INSTITUTIONAL LOANS

Many colleges and universities have their own institutional loans available for their students to borrow. Institutional loan terms vary by college or university. Often, donors contribute monies to these various loans, and when the borrower repays the loan, the money is directed back to the fund from which it was disbursed. The monies are then redistributed to current students as new institutional loans.

### PRIVATE EDUCATION LOANS

Private education loans, also known as alternative education loans, can be a useful source to help bridge the gap between the actual cost of your education and your financial aid package. Keep in mind that private loans are not federal loans. Rather, they are offered by private lenders and are a form of consumer debt. Unlike federally-insured Stafford Loans, you will have limited options for deferments and forbearances which can make your repayment difficult.



While there are many reputable private loan lenders in the marketplace, there are also things you need to keep in mind.

**Don't be fooled by no-fee loans.**

You have probably heard that there is no such thing as a free lunch. There also isn't such a thing as a free loan. Zero fee loans are usually off-set with higher interest rates.

**Good credit is a must.**

In many cases, the interest rate and origination fee you will be charged is based on your credit history. You may not even know what your interest rate is going to be, or what fees you will be charged, until after you have completed the application.

**Sometimes good credit isn't enough.**

Many private loan programs also require that you meet certain debt-to-income ratios. Usually, dependent undergraduate students do not meet this requirement and, therefore, must get a cosigner on the loan. While a cosigner can help you qualify for better loan terms, a cosigner is equally liable for the debt and may be responsible for the repayment of the loan obligation even in the event of the borrower's death.

**Read the small print.**

Know what you are signing. A lot of information is hidden in the small print, such as the interest rate cap, which may exceed 20%!



Oh yeah, I borrowed one of those private loans. I don't know much about it because I don't have to make payments until I graduate. No worries - like I said before - I am going to be making the big bucks when I graduate!



This is good to know, but I don't think I will need these resources. I intend to work through college and live like a college student.

## PREPARING FOR REPAYMENT

Graduation is an exciting time when you get to start out on your own, begin your career, and conquer the “real world.” It is also an opportunity for you to establish a solid credit history. Your student loans helped you finance your education; now you can use them to build good credit. During your grace period, you should decide which repayment plan best fits your budget. You may change your repayment plan no more frequently than once a year by contacting your loan holder.

## GRACE PERIOD

Your Stafford Loan will have a six-month grace period before you enter repayment. This grace period begins the day after you stop attending school at least halftime, withdraw, or graduate. This provides you time to get settled before you have to start making payments.

You have one grace period per loan for all of the loans you receive while you are enrolled in school. Not enrolling for summer terms will not affect your six-month grace period as long as you return to school at least halftime before the six months is up. If you take a break from school that is longer than six months, you will use the grace period on your loans, and your loans will go into repayment. If you later re-enroll in school, you should request an in-school deferment if you are enrolled at least halftime. But, you won’t receive another six-month grace period on your prior loans when you leave school.

## STANDARD REPAYMENT PLAN

Under the standard repayment plan, you repay your student loan in equal monthly payments over a period of 10 years (excluding deferment and forbearance time). The minimum payment amount is \$50 per month but may be more depending on the amount you owe. Your loan holder will set you up for this plan if you do not request a different repayment plan. A standard repayment plan is most favorable because you pay less in interest over the life of the loan.

### STANDARD REPAYMENT EXAMPLE<sup>1</sup>

Loan Amount .....	\$15,000
Years of Repayment .....	10
Monthly Payment Amount ....	\$172.62
Interest Paid .....	\$5,714.49
Total Amount Paid .....	\$20,714.49

## GRADUATED REPAYMENT PLAN

FFELP & Direct - Your monthly payment will begin low and increase gradually over the 10-year repayment period. There is no minimum monthly payment, but your payment must be high enough to cover the interest accruing each month.

While you may find your initial payments more affordable with a graduated repayment plan, you may pay more interest on your loans because lower initial principal payments result in higher interest costs.

### GRADUATED REPAYMENT EXAMPLE<sup>1</sup>

Loan Amount .....	\$15,000
Years of Repayment .....	10
Monthly Payment Amount for first 4 years .....	\$85.00
Monthly Payment Amount for last 6 years .....	\$254.30
Interest Paid .....	\$7,389.38
Total Amount Paid .....	\$22,389.38

## EXTENDED REPAYMENT PLAN

FFELP & Direct - This plan is available to borrowers who borrowed on or after October 7, 1998, and owe more than \$30,000 in principal and accrued interest. With this plan, your payments can be level or graduated over a period up to 25 years.

### EXTENDED REPAYMENT EXAMPLE<sup>1</sup>

Loan Amount .....	\$30,000
Years of Repayment .....	25
Monthly Payment Amount ....	\$208.22
Interest Paid .....	\$32,467.29
Total Amount Paid .....	\$62,467.29

## INCOME SENSITIVE REPAYMENT PLAN

**FFELP** - Your monthly payments begin low and increase as your income rises. In most cases, your payment amount will be a percentage of your gross monthly income. Income sensitive repayment can be used for up to five years. You must factor your income each year to determine your new payment amount.

## INCOME CONTINGENT REPAYMENT PLAN

**Direct** - Your monthly payment amount will be adjusted each year based on your adjusted gross income (AGI) as reported on your U.S. income tax return, your family size, interest rate, and the total amount of your Direct Loan debt. You must authorize the IRS to provide the U.S. Department of Education with your current income.

## CHOOSE A REPAYMENT PLAN THAT IS RIGHT FOR YOU

All repayment plans have advantages and disadvantages. Use the table below to help you select a plan that best fits within your budget. You may ask your loan holder for a different repayment plan no more frequently than annually. Don't be tempted to select the plan with the lowest monthly payment if you can afford to pay more. Over time, the longer you take to pay the loan the more the loan will cost you.

### INCOME SENSITIVE EXAMPLE<sup>1</sup>

Loan Amount .....	\$15,000
Estimated Annual Salary .....	\$22,230
Years of Repayment .....	10
Monthly Income Sensitive Payment for first 5 years .....	\$85.00
Monthly Payment Amount for last 5 years .....	\$295.60
Interest Paid .....	\$7,836.28
Total Amount Paid .....	\$22,836.28

	Advantages	Disadvantages
Standard Repayment	<ul style="list-style-type: none"> <li>Predictable payment schedule.</li> <li>Ensures quickest payoff.</li> <li>Minimizes total interest costs.</li> </ul>	<ul style="list-style-type: none"> <li>Payments may be too high to fit within your budget if you have several high-balance loans.</li> </ul>
Graduated Repayment	<ul style="list-style-type: none"> <li>Initial payments are more affordable.</li> <li>Payments gradually increase over time.</li> </ul>	<ul style="list-style-type: none"> <li>Pay more over the life of the loan because lower initial principal payments result in higher interest costs.</li> <li>Monthly payments increase even if your income does not.</li> </ul>
Extended Repayment	<ul style="list-style-type: none"> <li>Predictable payment schedule.</li> <li>Lowers monthly payments over a longer period of time.</li> </ul>	<ul style="list-style-type: none"> <li>Pay more over the life of the loan because lower principal payments and a longer time to pay result in higher interest costs.</li> </ul>
Income-Sensitive Repayment (FFELP)	<ul style="list-style-type: none"> <li>Payments are structured and revised to reflect changes in income.</li> </ul>	<ul style="list-style-type: none"> <li>Can only be used for up to five years.</li> <li>Pay more over the life of the loan because lower principal payments and a longer time to pay result in higher interest costs.</li> </ul>
Income-Contingent Repayment (Direct)	<ul style="list-style-type: none"> <li>Payments are structured and revised to reflect changes in income, family size, and loan balance.</li> <li>If payments do not cover the interest that accrues, it is capitalized once a year.</li> <li>After 25 years of payments, the remaining debt is discharged (forgiven).</li> </ul>	<ul style="list-style-type: none"> <li>Pay more over the life of the loan because lower principal payments and a longer time to pay result in higher interest costs.</li> <li>If after 25 years, your debt is discharged, it is considered taxable income.</li> <li>If married, both spouses' incomes are considered in the payment calculation.</li> </ul>

<sup>1</sup>Examples assume loan balances are subsidized Stafford Loans with a 6.8% fixed interest rate and monthly payment amounts are estimates only. Final payment may be higher or lower than the estimated monthly payment amount. Graduated payments are calculated with the first four years as interest-only payments. Other graduated plans may be available through your loan holder. Income Sensitive payments are based on an annual income of \$22,230 and a payment amount that equals 4% of gross monthly income or interest-only payments, whichever is greater. These examples are for illustration purposes only. Talk to your loan provider for detailed repayment information based on your particular loan balances.



## CONSOLIDATION FACTS

Student loan consolidation can be a useful tool for managing loan repayment by allowing you to combine existing federal student loans into a single loan with one monthly payment. But there are advantages and disadvantages. Be sure you understand both sides of the equation, particularly when unknown lending companies emphasize consolidation benefits that are based on narrow circumstances or assumptions.

## WHAT LOANS CAN BE INCLUDED?

Eligible loans for consolidation include:

- Federal Stafford Loans (subsidized & unsubsidized)
- Federal PLUS Loans
- Federal Perkins Loans
- Federal Direct Loans
- Federal Insured Student Loans (FISL)
- Federal Supplemental Loans for Students (SLS)
- Health Professions Student Loans (HPSL)
- Health Education Assistance Loans (HEAL)
- Nursing Student Loans (NSL)

There are also certain types of education loans that cannot be consolidated - alternative or private education loans, hardship and supplemental loans funded by your college or university, Iowa Teacher Shortage Forgivable Loans, and other non-federally insured loans.

## WHAT IS THE INTEREST RATE?

Consolidation loan interest rates are calculated by taking the weighted average interest rate of the loans to be consolidated and rounding up to the next one-eighth percent. The interest rate cannot exceed 8.25%.

Federal Stafford Loans first disbursed on or after July 1, 2006, have fixed interest rates of 6.8%. If all of the loans to be included in a consolidation are Stafford Loans with fixed interest rates of 6.8%, the consolidation loan interest rate, rounded to the next one-eighth percent, would be 6.875%.

## ARE THERE ANY FEES?

Regardless of the consolidation provider you select, federal consolidation loans do not have application fees, prepayment penalties, or credit checks.

## CONSOLIDATION REPAYMENT

The repayment period varies based on the dollar amount of the loans being consolidated. Other education-related loan debt not included in the consolidation also may affect the maximum repayment period allowed.

Total Education Debt	Maximum Repayment Period
\$5,000 - \$7,499.99	10 Years
\$7,500 - \$9,999.99	12 Years
\$10,000 - \$19,999.99	15 Years
\$20,000 - \$39,999.99	20 Years
\$40,000 - \$59,999.99	25 Years
\$60,000 and above	30 Years

## WHAT ARE THE PROS AND CONS?

The primary benefits are:

You can lower your monthly payments - that means more money for other expenses.

You only have to make one monthly payment to one company - no more multiple payments.

Many loan providers will offer you an interest rate reduction if you utilize automatic payments and/or make a specified number of on-time payments.

The primary disadvantages are:

You may pay a lot more in interest because you will be making payments for a longer period of time.

You may forfeit the remainder of your six-month grace period if you consolidate during your grace period.

Depending on the type of loan you consolidate, you may lose some deferment or loan forgiveness benefits. Refer to the deferment eligibility chart on page 24.

## SELECTING A LOAN PROVIDER

Selecting a consolidating lender is a big decision that shouldn't be taken lightly. Keep these things in mind when evaluating consolidation offers:

- You will be working with your consolidation loan holder for a long period of time. Select a provider that you know is reputable.
- Many providers offer money-saving benefits for paying on-time and for making payments electronically. It is important to understand if, when, and how you qualify for the benefits, as well as how you may lose them.
- If you are in doubt, check with the financial aid office at your college or university. Many financial aid offices will supply a list of trustworthy loan providers who offer excellent customer service and repayment benefits to their graduates.

### Beware!

Aggressive marketing efforts from loan providers should raise "caution flags" for smart consumers. Check out the company to be sure its reputable.

## CAN LOANS BE CONSOLIDATED MORE THAN ONCE?

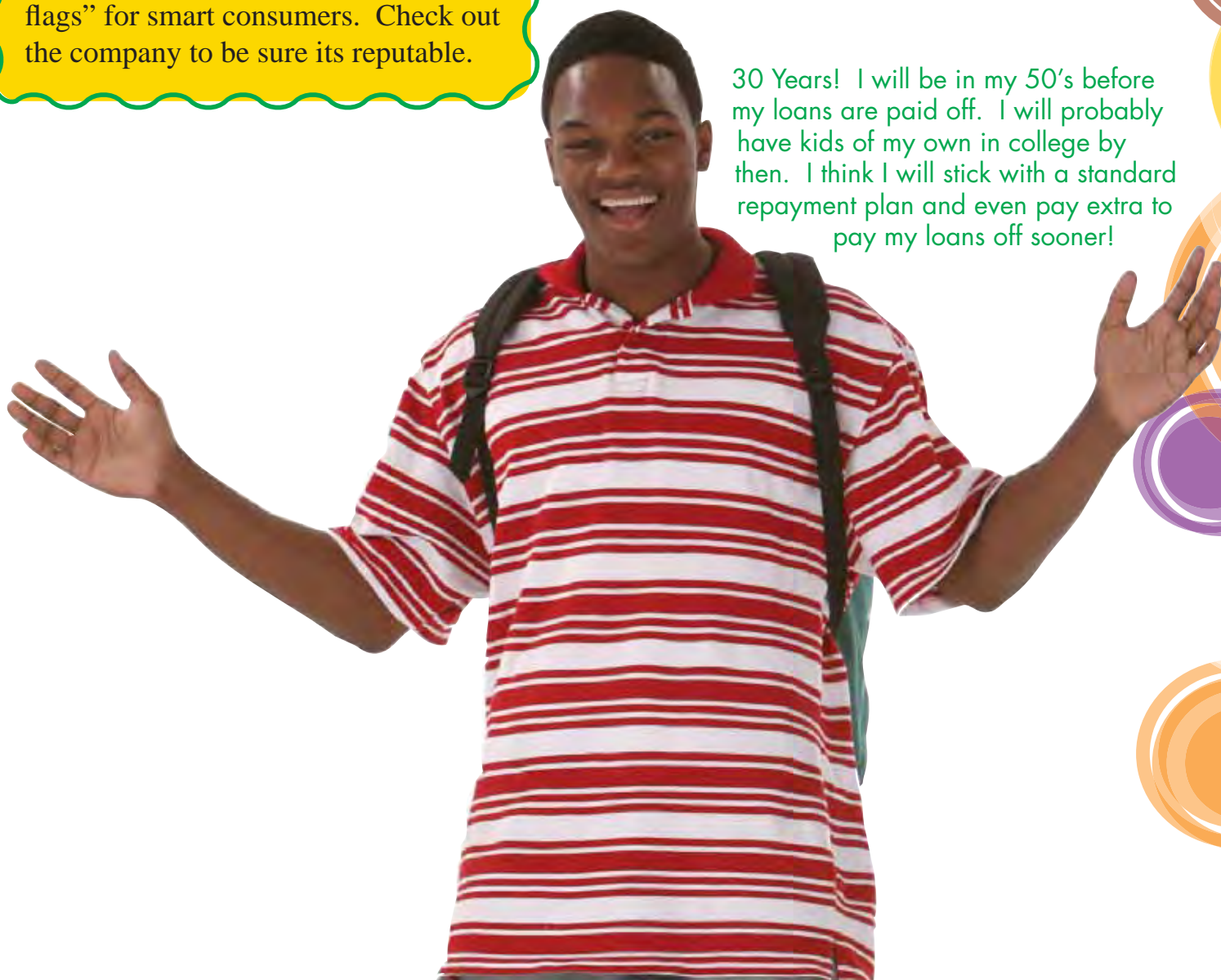
You may be able to consolidate more than once if:

- You did not include all existing eligible loans in the original consolidation. You will have up to 180 days after the consolidation loan is final to add them, or you may obtain a subsequent consolidation loan that repays all of your outstanding eligible loans.
- You borrowed additional loans after the original consolidation loan was finalized.

## HOW DO I APPLY?

Once you select an eligible consolidation loan provider, you will need to complete a Consolidation Application and Promissory Note. Contact the loan provider for assistance.

30 Years! I will be in my 50's before my loans are paid off. I will probably have kids of my own in college by then. I think I will stick with a standard repayment plan and even pay extra to pay my loans off sooner!



## DEFERMENT AND FORBEARANCE

Once in repayment, there may be times when you are unable to make your monthly student loan payment. Deferments and forbearances allow you to temporarily postpone payments for certain situations such as if you return to school, become unemployed, or face an economic hardship.

### DEFERMENT

The federal government pays the interest on subsidized Stafford Loans during periods of authorized deferment, including the portions of a federal consolidation loan that are subsidized. For all other student loans, accruing interest is your responsibility. You can pay the interest along the way or allow it to be capitalized (added to the principal balance) at the end of the deferment.

Various deferments exist to accommodate situations that may occur over the course of your student loan repayment. The length of your deferment depends on the type of deferment for which you qualify. The chart below summarizes the various deferment options.

Form	Deferment Type	Time Limit	Stafford & SLS Loans			PLUS Loans				Consolidation Loans	
			Pre 7/1/87 Borrower	New <sup>1</sup> 7/1/87-6/30/93 Borrower	New <sup>2</sup> 7/1/93 Borrower	Loans Before 8/15/83	Pre 7/1/87 Borrower	New <sup>1</sup> Borrower 7/1/87-6/30/93	New <sup>2</sup> Borrower 7/1/93	Pre 7/1/93 Borrower <sup>8</sup>	New Borrower 7/1/93 <sup>9</sup>
SCH	In-School: Full Time	None	●	●	●	●	●	●	●	●	●
	In-School: Half Time <sup>7</sup>	None		●	●			●	●	●	●
EDU	Graduate Fellowship	None	●	●	●	●	●	●	●	●	●
	Rehabilitation Training	None	●	●	●	●	●	●	●	●	●
	Teacher Shortage	3 Years		●							
	Internship/Residency Training	2 Years	●	●		●					
TDIS	Temporary Total Disability <sup>3</sup>	3 Years	●	●		●	●	●		●	
PUB	Armed Forces or Public Health Services <sup>4</sup>	3 Years	●	●		●					
	National Oceanic and Atmospheric Administration Corps <sup>4</sup>	3 Years		●							
	Peace Corps, ACTION Program and Tax-Exempt Organization Volunteer	3 Years	●	●		●					
UNEM	Unemployment	2 Years	●	●		●	●	●		●	
	Unemployment	3 Years			●				●		●
PLWM	Parental Leave <sup>5</sup>	6 Months	●	●							
	Mother Entering/Re-entering Work Force	1 Year		●							
HRD	Economic Hardship	3 Years			●				●		●
PLUS <sup>6</sup>	In-School: Full Time	None				●	●	●			
	In-School: Half Time	None				●	●	●			
	Rehabilitation Training	None				●	●	●			
	Military <sup>10</sup>	3 Years	Available on or after 7/1/06 for qualified FFEL Program and Direct Loan borrowers with loans first disbursed on or after July 1, 2001. Consolidation loan borrowers may qualify if all underlying Title IV loans were made on or after 7/1/01.								

1 "New Borrower" 7/1/87 to 6/30/93: A borrower whose first FFELP loan was made on or after July 1, 1987, and before July 1, 1993, or who had an outstanding balance on a loan obtained on or after July 1, 1987, and before July 1, 1993, when he or she obtained a loan on or after July 1, 1993, or who had no outstanding balance on a Federal Consolidation loan made before July 1, 1993, that repaid a loan first disbursed before July 1, 1987.

2 "New Borrower" 7/1/93: A borrower whose outstanding FFELP loans were all made on or after July 1, 1993, and when his or her first FFELP loan was made on or after July 1, 1993, had no outstanding FFELP loans that were made before July 1, 1993.

3 A deferment may be granted during periods when the borrower is temporarily totally disabled or during which the borrower is unable to secure employment because the borrower is caring for a dependent (including the borrower's spouse) who is temporary totally disabled.

4 Borrowers are eligible for a combined maximum of 3 years of deferment for service in NOAA, PHS, and Armed Forces.

5 A parental leave deferment may be granted to a borrower in periods of no more than 6 months each time the borrower qualifies.

6 Deferment for parent borrower during which the dependent student for whom the parent obtained a PLUS Loan meets the deferment eligibility requirements.

7 A borrower who received a Federal Consolidation loan before July 1, 1993, that repaid a loan made before July 1, 1987, or who had an outstanding balance on a FFELP loan obtained prior to July 1, 1987, when the Federal Consolidation loan was obtained, is eligible for in-school deferment only if the borrower attends school full-time.

8 A borrower with a Federal Consolidation loan made before July 1, 1993, or a borrower who receives a Consolidation loan on or after July 1, 1993, who has any outstanding FFELP loan(s) at the time of consolidation that was first disbursed before July 1, 1993.

9 A borrower who receives a Federal Consolidation loan made on or after July 1, 1993, who has no outstanding FFELP loans at the time of consolidation that were made on or before July 1, 1993.

10 Not all borrowers performing military service will qualify. A qualifying borrower may have some loans that qualify and some that do not (loans made before 7/1/01).



## FORBEARANCE

If you experience financial difficulties and do not qualify for a deferment, you may want to pursue forbearance options with your loan holder. Forbearance allows you to temporarily postpone your monthly payments, pay a lesser amount, or extend the time for making payments. During forbearance, you are not required to make monthly payments. However, interest will continue to accrue on both subsidized and unsubsidized Stafford Loans.

In most cases, you are not automatically entitled to forbearance; rather it is granted at the discretion of your loan holder or servicer. You may be entitled to a mandatory forbearance if you meet one of the following conditions:

You are in an internship/residency program and have exhausted your deferment eligibility.

The combined monthly payment on your federal student loans equals or exceeds 20% of your gross monthly income based on a standard 10-year repayment schedule.

You are serving in a national service position for which you will receive a National Service Educational Award from Americorps.

You are serving in a shortage area to qualify for loan forgiveness under the federal Teacher Loan Forgiveness program.

You are performing a service that qualifies you for partial repayment of your loans under the Student Loan Repayment Programs administered by the U.S. Department of Defense.

You are subject to a military mobilization, are affected by a local or national emergency, or live in a federally designated disaster area, as determined by the U.S. Department of Education.

## WHAT IS THE DIFFERENCE?

Deferments and forbearances differ in the following ways:

You are entitled to a deferment, provided you qualify and are not in default. Except for the conditions that qualify for a mandatory forbearance, it is up to your loan holder to decide whether or not a forbearance will be granted.

During a deferment, the federal government pays the interest that accrues on subsidized Stafford Loans. During a forbearance, you are responsible for the interest that accrues on both subsidized and unsubsidized Stafford Loans.

### Keep in Touch!

Don't avoid your loan holder if you can't make a payment. Your loan holder will work with you and your situation. A deferment or forbearance will help you avoid delinquency and keep your credit in good standing. Allowing your loan to become past due jeopardizes your credit standing because your loan holder can report the delinquent status to the three national credit bureaus.

## CANCELLATION OF STUDENT LOANS

Stafford Loan discharge and cancellation benefits are available for specific circumstances. The following chart describes conditions when Stafford Loans may be discharged or cancelled. You should contact your loan holder or servicer to determine eligibility for these benefits when you begin repayment.

	Amount Forgiven	Notes
Total and permanent disability or death	100%	Total and permanent disability requires a physician to certify that you are unable to work and earn money because of a condition that is expected to continue indefinitely or result in death.
Full-time teacher for 5 consecutive years in a designated school serving low-income families.	Up to \$5,000 of the aggregate loan amount that is outstanding after completion of the fifth year of teaching.  Up to \$17,500 of the aggregate loan amount that is outstanding after the fifth year of teaching in Special Education or secondary Science or Math.	For loans received on or after 10/1/98 by a borrower with no outstanding FFELP or Direct Loan balance as of that date.
Bankruptcy (in rare cases)	100%	Cancellation is rare and only if the bankruptcy court rules that repayment would cause undue hardship.
Closed school (before student could complete program of study) or false loan certification by a school, or identity theft.	100%	For loans received on or after January 1, 1986.
School does not make required return of loan funds to the lender.	Up to the amount that the school was required to return.	For loans received on or after January 1, 1986.



Wow! Once I graduate and accept a position in a school that serves low-income communities, I not only have the opportunity to make a difference, but I may qualify to have some of my loan cancelled!

## WHAT IS DEFAULT?

Default occurs when you become 270 days past due on a scheduled student loan payment. It is a violation of your loan obligation, and it is a **BIG DEAL!** At the point of default, your loan holder assumes that you do not intend to repay your loan and files a claim with the loan guarantor.

### It Doesn't Just Happen

Default doesn't sneak up on you - it takes a while to get 9 months behind on your payments. Don't let delinquency and default ruin your credit. The most important thing you can do is keep in contact with your loan holder - they are there to help!

## CONSEQUENCES OF DEFAULT

Defaulting on your student loans is a serious financial mistake. Like any other debt, these loans are important financial and legal obligations. Some of the consequences of default can include:

A report to all national credit bureaus that your loan(s) has defaulted, which is damaging to your credit rating. Student loan default is one of the worst credit ratings and ranks right up there with foreclosures, repossessions, and charge-offs.

Loss of eligibility for further state and federal student aid.

Loss of eligibility for deferments, forbearances, and repayment plan options.

Demand for immediate payment of the entire balance of your loan, plus any unpaid interest.

Your defaulted loan account could be turned over to a collection agency.

Assessment of collection costs of up to 25 percent of your loan's outstanding balance.

Possibility of being sued by your guarantor or the Department of Education.

Federal and state income tax refunds, as well as federal Treasury payments such as Social Security payments, can be withheld.


Garnishment of up to 15% of your wages.

Loss of a professional, occupational, business, industry, recreational, and/or motor vehicle license.


Academic transcripts may be placed on hold.

## AVOIDING DEFAULT

With all of the assistance and repayment choices available, there is no reason to default. The key to avoiding default is to borrow responsibly, set up a budget before you go into repayment so you are prepared for your loan payment, and keep an open line of communication with your loan holder. Contact your loan holder at the first sign of trouble.



I will not let student loan and credit card debt get out of hand. That is why I am watching what I spend now!

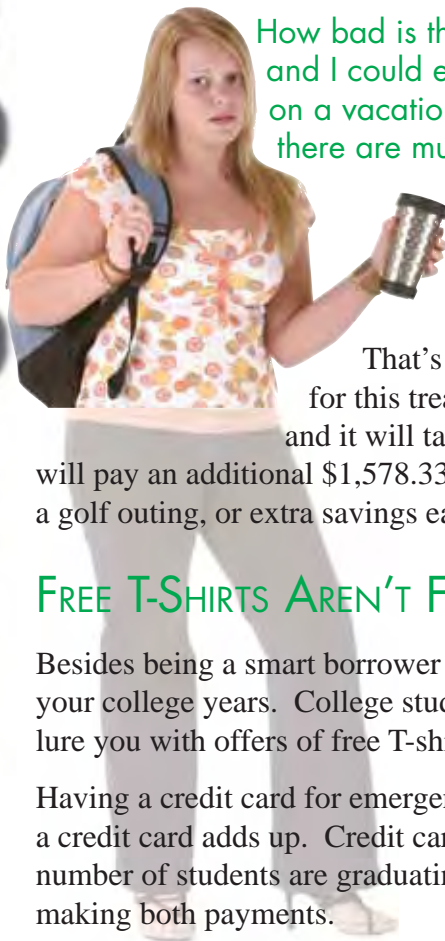


I don't want that either, but some things, like my morning mocha and weekly eyebrow wax, are non-negotiable!



## SARAH'S MOCHA FIX

Sarah says that having a weekly eyebrow wax and a morning mocha are non-negotiable. Let's take a look at how much her five day a week morning mocha fix really costs. Every morning on her way to class, Sarah stops for a Cafe Mocha, size grande, nonfat milk with whipped cream that costs \$4.00. Not only is she short changing a healthy breakfast, but her monthly budget as well.



How bad is that really? It's my little treat, and I could easily spend that much on a vacation after I graduate. Besides, there are much worse things I could be buying.

Daily	\$4
Weekly	\$20
Monthly	\$87
Annually	\$1,040
Cost Over Four Years of College	\$4,160

That's true, but think of it this way. If you are using student loan funds to pay for this treat, you just added an additional \$48 to your monthly student loan payment, and it will take you 10 years to pay it off. On top of that, at a 6.8% interest rate, you will pay an additional \$1,578.33 in interest alone! That extra \$48 per month could be a new pair of shoes, a golf outing, or extra savings each month. Was that mocha really worth it?

## FREE T-SHIRTS AREN'T FREE

Besides being a smart borrower with your student loans, you also need to be a savvy consumer during your college years. College students today are a huge market for credit card companies who attempt to lure you with offers of free T-shirts, candy, or other gifts just for completing an application.

Having a credit card for emergencies is fine. Unfortunately, a lunch here, a pair of shoes there, charged to a credit card adds up. Credit card companies are banking on your buy now, pay later behavior. A growing number of students are graduating with high credit card debt in addition to their student loans and struggle making both payments.

## CREDIT REPORTS AND CREDIT SCORES?

Your credit report includes information about financial accounts you have now or have had in the past. Things such as bankruptcies and overdue child support, that are public record, will also be included. Credit reports are used by financial institutions to help them decide whether or not to grant you credit.

A credit score is a numerical calculation based on all the information contained in your credit report. You will often hear this referred to as a FICO Score. FICO stands for Fair, Isaac, and Company, the organization that developed the scoring mechanism. This score, or a variation of it, may be used by companies to determine if you are a safe financial risk. The higher your FICO Score, the more likely you will be approved for credit, such as car loans, at favorable interest rates.

## BANKRUPTCY IS NOT AN EASY OUT

You may not realize that student loans are not dischargeable in any chapter of bankruptcy unless you can prove that repaying the loan creates an undue hardship on you or your family. Proving hardship is very rare and usually requires showing that you can't provide a minimum standard of living for yourself and your dependents if you have to repay the loan. Besides that, your credit report may include the bankruptcy information for 10 years from the commencement of the case, which may impact your ability to obtain future loans.

## Free Credit Reports

You can request your credit report for free once a year from each of the three national credit bureaus, at [www.annualcreditreport.com](http://www.annualcreditreport.com). The three national credit bureaus are listed below.

### **Equifax**

P.O. Box 674402  
Houston, TX 77267-4402  
800-759-5979  
[www.equifax.com](http://www.equifax.com)

### **Experian**

P.O. Box 1017  
Allen, TX 75013  
888-397-3742 or  
800-682-7654  
[www.experian.com](http://www.experian.com)

### **Trans Union**

P.O. Box 390  
Springfield, PA 19064  
800-888-4213  
[www.transunion.com](http://www.transunion.com)

## WHY DOES MY CREDIT MATTER?

Your credit score impacts almost every part of your life, including your ability to get a home or car loan, renting an apartment, or even employment opportunities. Some consequences of high credit card debt include:

Loss of job opportunities. Some employers will check your credit as a condition before hiring. High debt levels or a poor payment history could keep you from being offered your dream job.

Higher interest rates. A low credit score shows that you are a high financial risk, and you will be offered higher interest rates on everything from credit cards to car loans.

Can't make the payment. Some students get in over their heads, and in order to keep up with their credit card payments they have to work more hours, cut back on classes, or even drop out of school.

## FINISH ENTRANCE COUNSELING

Congratulations! To finish entrance counseling, please complete the form located at the back of this guide.

## YOU HAVE OUR UNDIVIDED ATTENTION

The Iowa College Student Aid Commission is your financial aid connection. We administer state and federal scholarships and grants and guarantee federal student loans. We offer free information and services to students and families who are exploring their education financing options.

Call our Information Service Center at 800-383-4222 to help you with your educational financing concerns. You also will find the tools you need on our web site at [www.iowacollegeaid.gov](http://www.iowacollegeaid.gov). We want to help you make wise borrowing and credit decisions.



## MAPPING YOUR FUTURE

The Iowa College Student Aid Commission is a sponsor of Mapping Your Future, a national collaborative public-service project of the financial aid industry. Many colleges and universities prefer students complete online entrance counseling, which can be completed at [www.mapping-your-future.org](http://www.mapping-your-future.org). The online process takes an average of 40 minutes to complete. To complete the online entrance counseling:

1. Visit [www.mapping-your-future.org](http://www.mapping-your-future.org).
2. Click on the Online Student Loan Counseling icon.
3. Click on the Stafford Entrance link.
4. Complete the steps to select your school, review the content, answer the questions, and complete the information form.
5. Print the confirmation page or note your confirmation number for your records.

\* You also may fulfill these requirements by completing the Entrance Counseling Form located at the back of this guide.

## Online Entrance Counseling:

Complete entrance counseling online at [www.mapping-your-future.org](http://www.mapping-your-future.org).

You will need:

- Your Social Security Number.
- Your driver's license number.

You may need:

- Name, address, telephone number, and employer of your next of kin and/or parent.
- Name, address, telephone number, and employer for two references residing at different addresses.

## FEDERAL STUDENT AID OMBUDSMAN (FSA OMBUDSMAN)

If you have problems or concerns pertaining to your student loans, your first step is to work with your loan holder or guarantor. If you are unable to resolve your concerns with them, you may contact the FSA Ombudsman's office. Their contact information is listed below.

The FSA Ombudsman's Office, established by the U.S. Department of Education, works with student loan borrowers to informally resolve disputes or problems. After you have made a reasonable attempt to resolve your problem through normal channels, the FSA Ombudsman will conduct an informal and impartial review of your complaint to determine if you have been treated fairly and to help you work with the office, agency, or company involved in the problem.

## Ombudsman Contact Information:

U.S. Department of Education  
FSA Ombudsman  
830 First Street, NE  
Fourth Floor  
Washington, DC 20202-5144

[www.ombudsman.ed.gov](http://www.ombudsman.ed.gov)  
Phone: 1-877-557-2575  
Fax: 1-202-275-0549



## TRACKING YOUR STUDENT LOANS

It's important for you to know who your loan holder and loan servicers are, and to take responsibility for tracking your student loans.

Why? Among other reasons, you will need to contact your loan holders or loan servicers to update your address when you move, or to apply for deferment or forbearance. Plus, tracking your student loans will help you monitor how much you are borrowing. This becomes especially important when you enter repayment and need to select a payment plan that is affordable for you or decide to consolidate your student loans. The two web-based systems listed below make it easy for you to track your student loans.

### NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)

The National Student Loan Data System (NSLDS) is a web site supported by the U.S. Department of Education. It provides you with a summary of your federal student loans, includes details about your current balance, as well as loan holder/servicer contact information.

Step 1. Access the NSLDS web site located at [www.nsls.ed.gov](http://www.nsls.ed.gov).

Step 2. Select "Financial Aid Review."

Step 3. Review the Privacy Act information.

Step 4. Confirm your identity - Login.  
Note: Your U.S. Dept. of Education issued PIN is required to access the information. If you do not have a PIN, you may request one using the menu options on the NSLDS site.

Step 5. Financial Aid Review - review the summary of your federal student loans.

Step 6. Review specific details for your loans -click on the bullets by each loan listed.

Step 7. Logoff when you are finished.

The screenshot shows the NSLDS login page. At the top, it says "START HERE GO FURTHER FEDERAL STUDENT AID" and "National Student Loan Data System (NSLDS) For Students". Below this is a navigation bar with links: "Financial Aid Review", "Glossary of Terms", "Known Information Setup", "FAQs", and "Contact Us". A paragraph of text explains that NSLDS is a repository of information from many sources and that users can request a PIN if they don't have one. The main form area has four fields: "What is your social security number?", "What are the first two (2) letters of your last name?", "What is your date of birth?", and "What is your PIN?". Each field has a text input box and a label. Below the fields is a "SUBMIT" button. At the bottom, there is a disclaimer about the use of the PIN and a note about the data's currency.

### THE NATIONAL STUDENT LOAN CLEARINGHOUSE

The Student Loan Clearinghouse will help you identify your loan holders and loan servicers. It also provides contact information for each of them. (Student loan holders are listed if they are Clearinghouse subscribers.)

1. Access the Clearinghouse web site located at [www.loanlocator.org](http://www.loanlocator.org).
2. Enter your Social Security number and date of birth.
3. Review the primary loan contact information.

The screenshot shows the "National Student Clearinghouse" website with the heading "Where are my Student Loans?". Below this is the "LoanLocator" logo. A text box prompts the user to enter their Social Security Number and Date of Birth. Below the text box are two input fields: "Student SSN" and "Birth Date". To the right of the "Student SSN" field, there is a note: "The SSN should be entered either with or without dashes, e.g. 123-45-6789 or 123456789". Below the input fields are "Submit" and "Reset" buttons. At the top right of the page, there are links for "About Us", "Search", and "Site Map".

## REPAYMENT CHART

Use the chart below to help you estimate your approximate monthly payment. A standard 10-year repayment term is used for this example. Use the loan amount that is the closest to your total Stafford Loan debt. See page 33 for more information about how to obtain your outstanding loan amounts from the National Student Loan Data System (NSLDS). If all of the loans you have borrowed are at the current Stafford fixed interest rate of 6.8%, follow the row to the 6.8% column for an estimated monthly payment amount.

To check monthly payment amounts for other loan balances, you can access online payment calculators at [www.iowacollegeaid.gov/loans](http://www.iowacollegeaid.gov/loans).

Loan Balance	# of Payments	5.00%	6.00%	6.54%	6.80%	7.14%	8.00%	8.25%
\$1,000	22	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
\$2,000	47	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
\$2,625	66	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
\$3,500	96	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
\$4,000	117	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
\$5,000	120	\$53.03	\$55.51	\$56.88	\$57.54	\$58.42	\$60.66	\$61.33
\$5,500	120	\$58.34	\$61.06	\$62.56	\$63.29	\$64.26	\$66.73	\$67.46
\$6,125	120	\$64.97	\$68.00	\$69.67	\$70.49	\$71.56	\$74.31	\$75.12
\$7,000	120	\$74.25	\$77.71	\$79.63	\$80.56	\$81.78	\$84.93	\$85.86
\$8,000	120	\$84.85	\$88.82	\$91.00	\$92.06	\$93.47	\$97.06	\$98.12
\$10,000	120	\$106.07	\$111.02	\$113.75	\$115.08	\$116.83	\$121.33	\$122.65
\$11,625	120	\$123.30	\$129.06	\$132.24	\$133.78	\$135.82	\$141.04	\$142.58
\$14,125	120	\$149.82	\$156.82	\$160.67	\$162.55	\$165.02	\$171.38	\$173.25
\$15,000	120	\$159.10	\$166.53	\$170.63	\$172.62	\$175.25	\$181.99	\$183.98
\$16,000	120	\$169.70	\$177.63	\$182.00	\$184.13	\$186.93	\$194.12	\$196.24
\$17,125	120	\$181.64	\$190.12	\$194.80	\$197.08	\$200.07	\$207.77	\$210.04
\$18,000	120	\$190.92	\$199.84	\$204.75	\$207.14	\$210.30	\$218.39	\$220.77
\$20,000	120	\$212.13	\$222.04	\$227.50	\$230.16	\$233.66	\$242.66	\$245.31
\$23,000	120	\$243.95	\$255.35	\$261.63	\$264.68	\$268.71	\$279.05	\$282.10
\$24,625	120	\$261.19	\$273.39	\$280.11	\$283.39	\$287.70	\$298.77	\$302.03
\$30,000	120	\$318.20	\$333.06	\$341.25	\$345.24	\$350.49	\$363.98	\$367.96
\$35,125	120	\$372.56	\$389.96	\$399.55	\$404.22	\$410.37	\$426.16	\$430.82
\$40,000	120	\$424.26	\$444.08	\$455.01	\$460.32	\$467.33	\$485.31	\$490.61
\$46,000	120	\$487.90	\$510.69	\$523.26	\$529.37	\$537.42	\$558.11	\$564.20
\$50,000	120	\$530.33	\$555.10	\$568.76	\$575.40	\$584.16	\$606.64	\$613.26
\$65,500	120	\$694.73	\$727.18	\$745.07	\$753.78	\$765.25	\$794.70	\$803.37
\$80,000	120	\$848.52	\$888.16	\$910.01	\$920.64	\$934.65	\$970.62	\$981.22
\$100,000	120	\$1060.66	\$1110.21	\$1137.52	\$1150.80	\$1168.31	\$1213.28	\$1226.53
\$138,500	120	\$1469.01	\$1537.63	\$1575.46	\$1593.86	\$1618.11	\$1680.39	\$1698.74

\* This chart is intended for comparison purposes only as the examples may not represent your actual loan terms. This example illustrates monthly payment amounts required at different interest rates and debt levels. The loan balance is the balance you owe at repayment. Your final payment may be smaller or larger than the amount listed.

**Accrued Interest:** Interest calculated daily on the unpaid principal balance of your loan.

**Alternative Loans:** (see Private Education Loans)

**Borrower:** The person who signed the Loan Promissory Note and is legally responsible for repaying the loan.

**Cancellation:** (also called Loan Forgiveness or Discharge) Borrowers who meet certain requirements are released from their obligation to repay all or a portion of their student loans.

**Capitalized Interest:** Unpaid interest that is added to the principal balance of the loan, thereby increasing the total loan balance. After capitalization, interest accrues on a higher principal balance.

**Consolidation:** The combination of existing federal student loans into a new single loan with one monthly payment.

**Cosigner:** (also called an endorser) A person who signs for a loan with a borrower and assumes liability if the borrower doesn't pay.

**Cost of Attendance (COA):** The amount it costs to attend your college or university each year. COA covers tuition, room and board, fees, books and supplies, transportation, and personal expenses.

**Credit Bureau:** An agency that compiles and distributes credit and personal information to creditors. This information may include payment habits, number of credit accounts, balance of accounts, and length and place of employment.

**Default:** Failure to make installment payments for 270 days or meet the terms of the Promissory Note.

**Default Fee:** A 1 percent fee that is charged on student loans to help cover default costs.

**Deferment:** A temporary postponement of payments for borrowers who meet certain criteria. Deferments are an entitlement for qualified borrowers.

**Delinquency:** Failure to make installment payments by the scheduled due date.

**Direct Loans:** Loans made by the U.S. Department of Education under the William D. Ford Federal Direct Student Loan Program.

**Direct Loan Servicing Center:** The Department of Education's servicer that collects Direct Loans and processes payments, deferments, forbearances, and repayment options.

**Disbursement:** The release of funds by the loan holder to the college or university.

**Discharge:** (see Cancellation)

**FFELP Loans:** Loans made by lenders participating in the Federal Family Education Loan Program.

**Forbearance:** A temporary postponement or reduction of payments. Forbearances are granted at the loan holder's discretion. However, forbearance is an entitlement for certain qualified borrowers (i.e., medical and dental interns and residents).

**FSA Ombudsman:** An office of the U.S. Department of Education that works with student loan borrowers to informally resolve disputes or problems.

**Grad PLUS Loans:** Federal loans for graduate/professional students.

**Grace Period:** Six-month period of time that begins when you are no longer enrolled at least halftime.

**Guarantor:** The state or nonprofit private agency that administers the Federal Family Education Loan Program in each state. The Iowa College Student Aid Commission is the state designated guarantor for the state of Iowa.

**Iowa College Student Aid Commission:** A state agency that advocates for Iowa students and administers scholarship, grant, loan, and related programs to help students finance education expenses at colleges and universities of their choice. The Commission is Iowa's designated guaranty agency.

**Institutional Loans:** Non-federally insured loans offered by a college or university.

**Interest:** The expense charged to the borrower for borrowing money. It is a percentage of the principal balance.

**Lender:** The organization that originated the loan. The lender can be your school, a bank, a credit union, other lending institution, or the U.S. Department of Education.

**Loan Forgiveness:** (see Cancellation)

**Loan Holder:** The organization that holds your student loan Promissory Note(s).

**Master Promissory Note (MPN):** A signed, legally binding agreement to pay your student loan(s). An MPN can be used both as a single-year or a multi-year note, which allows borrowers to receive multiple loans from the same lender for up to 10 years.



# Terms to Know

**Notice of Loan Guarantee and Disclosure Statement (NOG):** A document that provides proof that your loan has been guaranteed. It contains information about the interest rate, guaranteed loan amount, disbursement dates, as well as name, address, and phone number of your loan holder.

**NSLDS:** A National Student Loan Data System that tracks your federal student loans.

**Origination Fee:** A fee deducted from the loan disbursement to help offset the cost of the loan program. Some or all of the fee may be paid as a benefit to you depending on the loan program and loan provider. Check with your loan holder to see what benefits are available to you.

**PLUS Loans:** Loans available to parents of undergraduate students or to graduate students through the FFELP and Direct Loan programs.

**Prepayment:** Amount that is paid on the loan when payments are not required or any amount paid above the scheduled installment amount. There is never a penalty for prepayment.

**Principal Balance:** The total amount owed. The principal balance includes the original amount borrowed plus capitalized interest.

**Private Education Loans:** (also called Alternative Loans) Non-federally insured loans offered by private lenders.

**Repayment Schedule:** A statement provided by the loan holder prior to repayment that includes the total loan amount you have borrowed, the current interest rate, the payment amount and repayment term, the monthly payment due date, and the total amount of principal and interest you will pay if you follow the repayment schedule.

**Satisfactory Academic Progress (SAP):** The level of academic progress required of a student to maintain federal aid eligibility.

**Secondary Market:** An organization that purchases loans from lenders. Iowa Student Loan is the designated secondary market for the state of Iowa.

**Servicer:** A company designated to track and collect a loan on behalf of the loan holder.

**Stafford Loans:** Loans available to undergraduate and graduate students through the FFEL and Direct Loan programs.

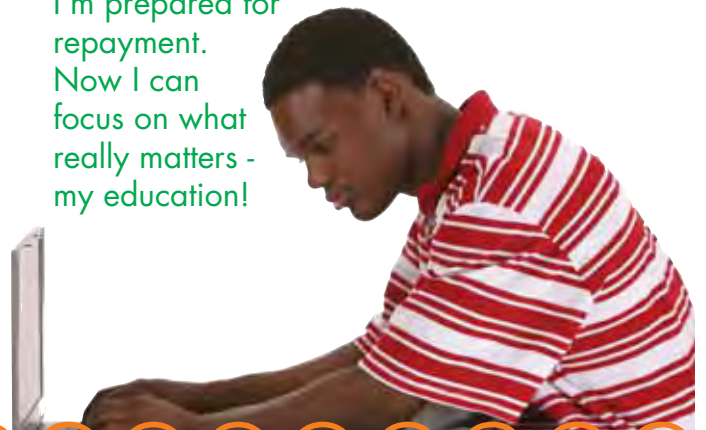
**Subsidized Loans:** Loans that the federal government pays accruing interest on your behalf while you are enrolled in school at least halftime, during the grace period, and during an authorized deferment.

**Unsubsidized Loans:** Loans that accrue interest from the date of disbursement. The borrower is responsible for repaying both the principal balance and accrued interest.

**U.S. Department of Education (USDE):** Oversees the Federal Family Education Loan Program (FFELP) and administers the William D. Ford Federal Direct Student Loan Program. The USDE sets the loan program regulations, requirements, and defines eligibility criteria for both programs.

**Wage Garnishment:** The withholding of up to 15% of an employee's wages to go toward a defaulted student loan.

I'm prepared for  
repayment.  
Now I can  
focus on what  
really matters -  
my education!




## Who is the Commission?

Iowa College Student Aid Commission is your financial aid connection. We help connect you with the essential resources and services you need to go college. We are here for you every step of the way. When it comes to your questions, you have our undivided attention.

For financial aid information visit: [www.iowacollegeaid.gov](http://www.iowacollegeaid.gov)  
Email: [info@iowacollegeaid.gov](mailto:info@iowacollegeaid.gov)  
Phone: 800-383-4222 or 515-242-3344



**IowaCollegeAid.gov**  
Your Financial Aid Connection



# Your Notes

